

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01 ERDA-05 CEA-01

DODE-00 FPC-01 H-02 INT-05 L-03 NSC-05 PM-04 SAM-01

OES-06 SS-15 STR-04 ACDA-07 /113 W

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R 281503Z AUG 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 1330

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 6137

E.O. 11652: GDS

TAGS: BDIS, ENRG, EC

SUBJECT: NORTHWEST EXPRESSES INTEREST IN ADA SETTLEMENT

1. SUMMARY: NORTHWEST ENERGY OFFICIALS CALLED ON EMBASSY AUGUST 26 TO DISCUSS POSSIBLE NORTHWEST ACTIONS TO FACILITATE GOE SETTLEMENT WITH ADA; NORTHWEST BELIEVES OPIC FINANCING OF THEIR PROJECTS IS DEPENDENT ON SUCCESSFUL RESOLUTION OF ADA CLAIM. EMBASSY ADVISED NORTHWEST TO APPROACH ADA DIRECTLY TO DISCUSS POSSIBLE AGREEMENT. END SUMMARY.

2. GLEN NELLE, NORTHWEST VICE PRESIDENT, JUAN ALLENDE, NORTHWEST ATTORNEY, RAFAEL ROMERO, LOCAL FINANCE MANAGER, AND LUIS SALAZAR, LOCAL ATTORNEY, CALLED ON DCM AND EMBOFF AT OPIC'S SUGGESTION TO DISCUSS POSSIBLE ACTION BY NORTHWEST TO FACILITATE SETTLEMENT OF ADA'S LONG-STANDING CLAIM AGAINST THE GOE. OPIC OFFICIALS TOLD NORTHWEST IN RECENT MEETING THAT A SATISFACTORY SETTLEMENT OF THE ADA CASE WAS A PREREQUISITE TO OPIC'S CONSIDERATION OF NORTHWEST'S APPLICATIONS FOR POLITICAL RISK INSURANCE AND FINANCING.

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3. ALLENDE SAID NORTHWEST WAS ANXIOUS TO USE AT LEAST SOME U.S. FINANCING SINCE PRODUCTION IS SLATED FOR THE U.S. MARKET. HE NOTED THAT, ALTHOUGH EUROPEAN SOURCES OF FINANCING ARE AVAILABLE, FURTHER DELAY WOULD BE NECESSARY. ALLENDE SAID NORTHWEST PLANNED TO DISCUSS ITS FINANCING PROBLEMS WITH MINISTER OF NATURAL RESOURCES RENE VARGAS, CEPE MANAGER PINEIROS, AND MINISTER OF FINANCE CESAR ROBALINO.

4. WHEN ASKED ABOUT CONTRACT PROVISIONS REQUIRING PAYMENT FOR EXISTING INSTALLATIONS IN THE GULF, NORTHWEST OFFICIALS AGREED THAT THEY WOULD PAY THE GOE FOR USABLE INSTALLATIONS IN THE CONCESSION AREA. UNDER THE TERMS OF THE NORTHWEST CONTRACT, SUCH PAYMENTS WOULD THEN BE A RECOVERABLE COST. ALLENDE, HOWEVER, EXPLAINED THAT LITTLE OF ADA'S INVENTORY OR THE EXISTING WELLS WOULD BE USEFUL TO NORTHWEST. NORTHWEST HAS NOT YET, HOWEVER, DISCUSSED THIS POINT WITH CEPE.

5. DCM REITERATED HIS PERSONAL VIEW THAT GOE IS POLITICALLY AND ECONOMICALLY INCAPABLE OF MAKING PUBLIC SETTLEMENT WITH ADA AND THUS ANY EVENTUAL SETTLEMENT OF THE ADA CASE WILL COME FROM NORTHWEST'S FUTURE EARNINGS. TO THIS END, DCM ADVISED NORTHWEST OFFICERS TO MAKE A DIRECT OVERTURE TO ADA BEFORE DISCUSSING FINANCING PROBLEMS WITH THE GOE. DCM REASONED THAT OPIC'S CONDITIONING OF FINANCING FOR NORTHWEST ON SUCCESSFUL SETTLEMENT OF ADA CASE MIGHT APPEAR TO BE INTERVENTION IN INTERNAL AFFAIRS AND THUS PREJUDICE A SOLUTION TO THE ADA CASE.

6. NORTHWEST APPEARED TO AGREE WITH ABOVE APPROACH. ALLENDE, HOWEVER, COMMENTED THAT FINANCING PROBLEMS (INCLUDING OPIC APPLICATIONS) MUST BE DISCUSSED WITH THE GOE BUT ASSURED EMBASSY OFFICIALS HE WOULD APPROACH THE ADA SETTLEMENT IN A "POSITIVE MANNER."

7. IN RELATED DEVELOPMENTS, NORTHWEST OFFICIALS REPORTED THEY PLANNED TO BEGIN WORK WITH CEPE IMMEDIATELY TO WORK OUT DETAILS OF MIXED COMPANY CONTRACTS FOR THE PLANNED PHASES OF THE NORTHWEST OPERATIONS. NORTHWEST OFFICIALS SAID THEY EXPECT THE CONTRACTS AND GOE GUARANTEE FOR FINANCING TO BE WORKED OUT WITHIN THE NEXT FEW WEEKS. ALLENDE EMPHASIZED CONFIDENTIAL

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THAT NORTHWEST WAS DEALING FROM A POSITION OF STRENGTH WITH THE GOE.

8. COMMENT: WHATEVER MIGHT HAVE BEEN NORTHWEST'S FAVORED STATUS WITH THE GOE, EMBASSY NOW FEELS THAT NORTHWEST'S RELATIONSHIPS WITH THE GOE HAVE ERODED CONSIDERABLY SINCE NORTHWEST IS NOW FAR BEHIND IN ITS SCHEDULED OPERATIONS. WE ALSO DOUBT WHETHER THE GOE WILL BE ANY MORE CONVINCED THAN

THE EMBASSY ABOUT ALTERNATE FINANCING FROM "EUROPEAN
SOURCES." EMBASSY IS NOW UNDER THE IMPRESSION THAT NORTHWEST
IS WILLING TO MAKE A RELUCTANT APPROACH TO ADA TO
DISCUSS A
POSSIBLE SETTLEMENT, AND THAT THE GOE WOULD WELCOME SUCH AN
AGREEMENT BETWEEN THE TWO COMPANIES TO END THE LONG HIATUS
IN GULF OF GUAYAQUIL EXPLORATION.
BLOOMFIELD

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